

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 MMO-04 SS-15 SP-02 PER-03 EB-07

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC IMMEDIATE 1007

UNCLAS SECTION 1 OF 2 CARACAS 12234

E.O. 11652: N/A

TAGS: BEXP, VE

SUBJ: PROPOSAL FOR COMMERCIAL TASK FORCE

REF: STATE 274108; CARACAS 11222

FOR: AMBASSADOR SHLAUDEMAN

SUMMARY: THE EMBASSY IS REQUESTING THE ASSIGNMENT OF FOUR COMMERCIAL OFFICERS AND AUTHORIZATION FOR THE HIRING OF SIX LOCAL EMPLOYEES.

THE GENERAL RATIONALE FOR THIS INCREASE IN STAFF IS THAT THE COMMERCIAL SECTION IS IN A DEFENSIVE POSTURE VIS A VIS THE DEMANDS OF ONE OF THE TEMPORARILY UNIQUE MARKETS OF THE WORLD. THE SECTION REACTS TO REQUESTS, BUT SELDOM HAS STAFF ASSETS SUFFICIENT TO LAUNCH A COMPREHENSIVE PENETRATION OF THE MARKET AND ESPECIALLY TO EXPLOIT NEW BUSINESS PROSPECTS AS THESE DEVELOP. IN OTHER WORDS, WHILE THE COMMERCIAL SECTION IS COVERING ALL DEVELOPMENTS, THE COVERAGE IS SUPERFICIAL AND NOT IN THE DEPTH NECESSARY TO ASSURE THAT AMERICAN SUPPLIERS ARE FULLY APPRAISED OF OPPORTUNITIES AS THESE DEVELOP.

IT SHOULD BE NOTED THAT OFFICERS ENVISIONED AS CAMPAIGN MANAGERS WOULD NOT HAVE ACHIEVED THEIR GOAL SIMPLY THROUGH THE AWARD OF A MAJOR PROJECT TO AN AMERICAN FIRM. THEIR EFFORTS SHOULD INCLUDE A SERVICE FUNCTION THROUGH THE PROCUREMENT STAGE OF A MAJOR PROJECT TO INSURE, TO THE EXTENT POSSIBLE, THAT US SUPPLIERS PARTICIPATE TO THE MAXIMUM.

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1. ADDITION OF COMMERCIAL TASK FORCE MADE UP OF FOUR (4) NEW FSO POSITIONS AND SIX (6) NEW FSL POSITIONS WILL ALLOW POST TO ACCOMPLISH THE FOLLOWING ACTIVITIES NOT PRESENTLY BEING DONE:

(A) ADD FIVE PRODUCT/PRIORITY CAMPAIGNS TO CCP AS FOLLOWS:

(1) RAILROAD CAMPAIGN (GOV ESTIMATES 1 PLUS BILLION DOLLARS WILL BE SPENT ON FIRST 700 KILOMETER SECTION PENDING CONGRESSIONAL APPROVAL OF THE PRESIDENTIALLY-BACKED BILL. PRE-QUALIFICATION REQUIREMENTS EXPECTED TO BE DELIVERED TO ALL EMBASSIES IN MID DECEMBER/EARLY JANUARY).

(2) CARACAS METRO SYSTEM CAMPAIGN. THE CARACAS METRO NOW IN INITIAL STAGES EXPECTED TO TOP 2 BILLION DOLLARS ON COMPLETION. CIVIL WORKS JUST NOW BEING INITIATED. ROLLING STOCK ALONS COULD RUN IN EXCESS OF 300 MILLION DOLLARS. SWITCH GEAR, RAILS AND COMPUTER SYSTEM ALL WILL BE FOREIGN PROCUREMENT.

(3) AUTOMOTIVE INDUSTRY. (GOV ESTIMATES THAT \$500 MILLION IN NEW INVESTMENTS WILL BE REQUIRED TO COVERT VENEZUELAN INDUSTRY FROM ASSEMBLY-ONLY TO UP TO 90 PERCENT LOCAL MANUFACTURE OF COMPONENTS.)

(4) TELECOMMUNICATIONS CAMPAIGN. (TO BE UPGRADED FROM CCP "OTHER PROJECTS" IN LIGHT OF PLANNED TOTAL INVESTMENT OF OVER \$1 BILLION IN NEXT 4 YEARS.

(5) AVIATION, AVIONICS, AND AIRPORT EQUIPMENT. (ALSO TO BE UPGRADED IMMEDIATELY TO INSURE THAT US FIRMS ARE IN ON GROUND-FLOOR ON \$45 MILLION AIRPORT IMPORVEMENT PROJECT, \$66 MILLION NAVIGATIONAL AIDS AND AIRWAYS SYSTEMS PROJECT, \$100 MILLION PROJECT FOR COUNTRY-WIDE AIRSPACE CONTROL AND \$50 MILLION PROJECT TO ENLARGE MAIQUETIA INTERNATIONAL AIRPORT. THE FRENCH ARE HIGHLY COMPETITIVE IN THIS AREA AND ARE OFFERING TECHNICAL ASSISTANCE AT ROCK-BOTTOM PRICES. VENEZUELAN GOVERNMENT ENTITIES PREFER FAA TECHNICAL ASSISTANCE AND CONTRACT FOR SAME MAY BE ONLY DAYS AWAY; NEVERTHELESS FULL-TIME PROMOTION OF US SALES IN THIS AREA IS VITAL IN MONTHS AHEAD IF US IS TO BEAWARDED EQUIPMENT SUPPLY CONTRACT.

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(B) ADD FOUR NEW PRIORITY CAMPAIGNS TO CCP AS FOLLOWS:

(1) PRIVATE INDUSTRY PROJECTS CAMPAIGN-TO IDENTIFY MAJOR PRIVATE INDUSTRY PROJECTS NOT NOW FALLING UNDER SPECIFIC CAMAPIGNS. FOR 1975, THE MINISTRY OF DEVELOPMENT HAS APPROVED 151 NEW PRIVATE INDUSTRIAL VENTURES AND 269 EXPANSION PROJECTS. TOTAL INVESTMENT IS ESTIMATED AT THREE QUARTERS OF A BILLION DOLLARS.

(2) REGIONAL DEVELOPMENT CAMPAIGN. GOV IS ENCOURAGING

INDUSTRIAL DEVELOPMENT OUTSIDE CARACAS METROPOLITAN AREA. GOV-SPONSORED DEVELOPMENT ORGANIZATIONS (E.G. CORPOZULIA, FUDALARA) ARE PLANNING NEW INDUSTRIALIZATION PROGRAMS THAT WILL REQUIRE HEAVY IMPORTS OF CAPITAL GOODS. THE MAGNITUDE OF THESE REGIONAL PROGRAMS ESTIMATED IN EXCESS OF \$100 MILLION DOLLARS.

(3) GENERAL EXPORTERS CAMPAIGN. OF THE 15 TARGET INDUSTRIES FOR VENEZUELA, ONLY SIX ARE COVERED BY SPECIFIC CAMPAIGNS. FOR THE REMAINING NINE SECTORS, IMPORTS FROM THE US TO VENEZUELA HAVE INCREASED IN THE 1970-74 PERIOD AT RATES RANGING FROM 51.3 PERCENT TO 155 PERCENT. TOTAL US EXPORTS FOR THESE NINE SECTORS FOR 1974 TOTALED \$101,809,000. ADDITIONALLY, CONSUMER GOODS-NOT PRESENTLY COVERED BY ANY EXPORT PROMOTION CAMPAIGN-HAVE INCREASED AT A RATE OF 28 PERCENT IN 1974. THESE IMPORTANT AREAS WILL BE COVERED BY A GENERAL EXPORTERS CAMPAIGN WHICH WOULD ALSO REVEAL OPPORTUNITIES FOR TOPS AND SALES THROUGH REGULAR VISITS TO VENEZUELA IMPORTERS OF GENERAL MERCHANDISE, AN AREA IN WHICH THE COMMERCIAL SECTION AT PRESENT HAS NO INITIATIVES DUE TO STAFF SHORTAGES.

(4) BUILDING AND CONSTRUCTION INDUSTRY CAMPAIGN. THIS FAST GROWING AND VITAL INDUSTRY HAS ENJOYED A 155 PERCENT GROWTH RATE OVER A FOUR-YEAR PERIOD AND IS SUBJECT OF A MAJOR PROMOTION EFFORT IN SEPTEMBER 1976 (BUILDING INDUSTRIES EXHIBITION). TOTAL IMPORTS IN NEXT TWELVE-MONTH PERIOD COULD EASILY EXCEED \$100 MILLION.

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC IMMEDIATE 1008

UNCLAS SECTION 2 OF 2 CARACAS 12234

(C) ACTIVATE A THREE-PERSON MARKET ANALYSIS UNIT (AS VISUALIZED IN LAST TWO CCPS BUT NEVER FEASIBLE ON FULL-SCALE WITH PRESENT

LIMITED PERSONNEL). UNIT OF FSO-6/FSL-2/FSL-4, WOULD UNDERTAKE COMMERCE REQUESTED AND POST-INITIATED MARKET SURVEYS. BOTH FSO-6 AND FSL-2 HAVE RECEIVED SPECIAL AWAY-FROM-POST TRAINING IN MARKET RESEARCH WHICH NEITHER HAS BEEN ABLE TO FULL UTILIZE BECAUSE PRIORITY BUSHFIRE ASSIGNMENTS PRECLUDE THE LUXURY OF MARKET RESEARCH

(D) INCREASE NUMBER AND FREQUENCY OF EMBASSY CONTRACTS WITH GOV AND PRIVATE DECISION MAKERS AND PURCHASERS. PRESENT STAFFING ALLOWS OFFICERS ONLY TO RESPOND TO VISITORS OR TO VISIT ON CRISIS OF EMERGENCY BASIS REDUCING POST EFFICENCY IN PLANNING AND CARRYING OUT AGGRESSIVE RATHER THAN DEFENSIVE MARKET PENETRATION EFFORT.

2. NEW OFFICERS WOULD BE UTILIZED AS FOLLOWS:

(A) OFFICER 1 (PROPOSED FSO-5, MINIMUM 3 PLUS-3 PLUS SPANISH) WOULD HAVE FOLLOWING PROJECTS: ENERGY SYSTEMS, INCLUDING GURI DAM. (BIDS FOR RAISING GURI DAM 100 FEET WITH AN ESTIMATED TOTAL COST OF \$1 BILLION FOR ALL NECESSARY WORK AND INFRASTRUCTURE NOW IN PRE-SELECTION STAGE) RAILROAD PROJECT. PRESENT A BILL IS BEFORE CONGRESS REQUESTING LEGISLATIVE AUTHORITY FOR AN ADDITIONAL STAGE OF 700 KILOMETERS AND AN EVENTUALLY 1500 KILOMETERS OF TRACK. PROJECT ALSO INCLUDES RAILWAY CAR PLANT. PASSAGE EXPECTED MID-DECEMBER. TOTAL INVESTMENT EXPECTED TO TOP \$1 BILLION. METRO LINE-BIDDING HAS JUST BEEN OPENED ON INITIAL CONSTRUCTION. UNCLASSIFIED

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(B) OFFICER 2 (FSO-6, MINIMUM 3 PLUS- 3 PLUS SPANISH) WOULD TAKE OVER PETROCHEMICAL INDUSTRY CAMPAIGN (EXPECTED INVESTMENT IN THIS AREA IS \$700 MILLION DURING CALENDAR YEAR 1976 AND MORE TO FOLLOW).

OFFICER 2, WOULD ALSO HANDLE PRIVATE INDUSTRIES PROJECTS CAMPAIGN AND SERVE AS LIAISON OFFICER WITH USIS FOR MEDIA USE IN TRADE PROMOTION.

(C) OFFICER 3 (FSO-6, 3 PLUS-3 PLUS SPANISH) WILL TAKE CHARGE OF THE REGIONAL DEVELOPMENT CAMPAIGN, ALL LICENSING OPPORTUNITIES, AND THE GENERAL IMPORTERS CAMPAIGN. ADDITIONALLY, HE WILL BE RESPONSIBLE FOR BUILDING PRODUCTS CAMPAIGN.

(D) OFFICER 4 (FSO-7 OR 8, 2 PLUS-2 PLUS SPANISH) WOULD TAKE CHARGE OF THE BIOMEDICAL CAMPAIGN, GENERAL TENDERS FROM GOV AND PRIVATE SECTOR NOT COVERED IN OTHER CAMPAIGNS; WOULD ALSO UPDATE AND DEVELOP COMMERCIAL CONTRACT LIST AND COMPANY FILES AND SHARE IN ANSWERING SECTION'S ROUTINE CORRESPONDENCE.

3. CURRENT LOCAL COMMERCIAL STAFF IS WORKING AT LIMITS OF

CAPACITY TO HANDLE PRESENT WORKLOAD. ADDITIONAL MARKET ANALYSIS, RESEARCH AND REPORTING GENERATED BY TASK FORCE WILL REQUIRE INCREASE IN LOCAL SUPPORT STAFF AS FOLLOWS:

(A) FSL-4/5 MARKET ANALYST. NECESSARY TO ESTABLISH VIABLE MARKET RESEARCH UNIT.

(B) TWO FSL-4/5, INDUSTRY SPECIALISTS, TO ASSIST NEW OFFICERS IN DATA GATHERING AND ANALYSIS IN SELECTED INDUSTRIES.

(C) TWO FSL-5, CLERK TYPISTS, TO PROVIDE SECRETARIAL AND CLERICAL SUPPORT SERVICES TO FOUR ADDITIONAL OFFICERS.

(D) ONE FSL/T CLERK/TYPIST TO PROVIDE SECRETARIAL AND CLERICAL SUPPORT SERVICES TO MARKET RESEARCH UNIT, AND TWO FSL INDUSTRY SPECIALISTS.
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